



Canopy Growth (TSX:WEED): A Pot of Gold

Description

Canopy Growth ([TSX:WEED](#))(NYSE:CGC) is Canada's leading producer and marketer of cannabis products and the first such company to be listed on both the Toronto and New York Stock Exchanges.

Consider the reasons why: a stellar management team committed to quality and innovation and to industry leadership through targeted acquisitions and alliances; a rapidly expanding international presence; and a recent investment of \$5 billion by **Constellation Brands**, an American marketer of wine and beer that intends to develop cannabis-infused beverages.

The worldwide cannabis market is enormous. Estimates range from \$100 billion to \$500 billion a year. The lion's share of this market — largely illegal — is for recreational use. A small percentage is for medical use, which is, in many places, also illegal. As legal acceptance continues to grow, Canopy Growth, I believe, is the company best positioned to maximize this massive opportunity.

With leading brands like Tweed and Tokyo Smoke, Canopy Growth is flourishing in the recreational market. However, smokable and edible cannabis products are essentially commodities, subject to the forces of supply and demand and fickle consumer loyalty.

Medical use, however, is a totally different market. It relies, for stability and growth, on patented products and proprietary technology. Thanks to its staff of research scientists, which already has 32 issued patents and over 140 patent applications, this burgeoning market, I believe, is where Canopy Growth is likely to reach its potential.

Millions of people stand to improve their quality of life with medical cannabis. It has already proven its worth in some critical areas — educing pain, for example, alleviating nausea from chemotherapy, controlling childhood epilepsy, and treating glaucoma and schizophrenia. With its arsenal of highly respected brands, Canopy Growth has emerged as a leader in this field, focused on both improving treatment and developing products to meet other medical needs.

Is Canopy Growth right for you? Here are some pros and cons...

Pros

The company's outstanding management team has a sensible, multi-prong strategy for growth and a commitment to quality, innovation, and industry leadership. It's a major player in both the recreational and medical markets, and its international marketing efforts are meeting with great success.

Not least, Canopy Growth's financial health is superb. Beyond the investment by Constellation Brands, the company has little debt.

These factors give the company the flexibility to direct and control its growth. It can make more acquisitions, enhance its already robust R&D initiatives, or expand its international footprint. And they currently enable Canopy Growth to make these strategic choices without the need to issue more stock, which would dilute the market value of existing shares — a luxury for a young company.

Cons

The growth potential for cannabis products will surely increase competition, potentially affecting the company's sales and profits. Fading brand loyalty can have a similar effect, as can over- or under-production, causing an imbalance in supply and demand. And growth may be slowed by government officials who continue to resist legalization.

Given Canopy Growth's financial resources, reputation for quality, and business acumen, I believe it can weather storms and continue to prosper. I suggest you plant this potent weed in your equity portfolio.

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